

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF THE CITY OF )  
EVANSVILLE, INDIANA, BY ITS WATER )  
AND SEWER UTILITY BOARD, FOR )  
AUTHORITY TO ISSUE BONDS, NOTES, )  
OR OTHER OBLIGATIONS, FOR )  
AUTHORITY TO INCREASE ITS RATES )  
AND CHARGES FOR WATER SERVICE, )  
AND FOR APPROVAL OF NEW )  
SCHEDULES OF WATER RATES, )  
CHARGES, AND RULES AND )  
REGULATIONS FOR WATER SERVICE, )  
AND FOR APPROVAL OF ACCOUNTING )  
AND RATEMAKING TREATMENT FOR )  
WATER SERVICE TO REFLECT THE )  
IMPACT OF REASONABLY FIXED, )  
KNOWN AND MEASUREABLE CAPITAL )  
REQUIREMENTS OVER THE NEXT )  
THREE CALENDAR YEARS. )

**FILED**

**JUN 04 2007**

**INDIANA UTILITY  
REGULATORY COMMISSION**

CAUSE NO. 43190

**STIPULATION AND SETTLEMENT AGREEMENT**

This Stipulation and Settlement Agreement (the "Agreement") is entered into by and between the Petitioner, City of Evansville, Indiana, by and through its Water and Utility Board (the "City") and the Indiana Office of Utility Consumer Counselor (the "OUCC") (collectively, the "Settling Parties"). The City and the OUCC have been duly advised in the premises by their respective staff, experts, and counsel; and they each now hereby stipulate and agree, solely for the purpose of compromise and settlement, that the terms and conditions incorporated in this Agreement and the proposed final order of the Commission attached hereto as Exhibit "A" (the "Final Order"), constitute a fair, reasonable and just resolution of all issues in this proceeding, subject to their approval by the Indiana Utility Regulatory Commission (the "Commission" or "IURC"), without modification or further condition that is unacceptable to any Party.

1. The Settling Parties jointly and mutually stipulate that all testimony and exhibits pre-filed in this cause be admitted into evidence without further hearing, procedure, or cross-examination or other examination; and each of the Settling Parties hereby waives its right to cross-examination or to present further evidence of any kind or nature other than evidence filed or submitted in support of this Agreement.

2. The City accepts and agrees to the commitments and reporting requirements recommended by the OUCC in its Pre-filed Testimony and Exhibits of Margaret A. Stull—Public’s Exhibit No. 1, and Roger A. Pettijohn—Public’s Exhibit No. 2, of May 4, 2007, which commitments and reporting requirements are:

A. A “true- up” process implemented after Petitioner issues its debt to adjust for any differences between its evidence and estimates of cost and terms and conditions of its debt and the actual cost and terms and conditions of the debt when issued --- with Petitioner to file within 30 days after issuance of the debt a report stating the actual interest rate and amount borrowed, along with an updated amortization schedule. (A copy of the true-up report shall also be served on the OUCC.) If Petitioner’s actual project and financing costs result in annual debt service requirements that are materially different from those included in Petitioner’s bond amortization schedule (see page 6 of Petitioner’s Exhibit GGM-1, attached to the Direct Testimony of Gerald G. Malone, CPA), Petitioner shall promptly file a revised tariff to give effect to any material changes in debt service identified in this agreed true-up process. (See Stull Testimony at page 13.) (Copies of any revised tariff filings shall also be served on the OUCC.)

B. Petitioner is to complete any unfinished capital improvement projects that were approved by the Commission in Petitioner's last water rate case, and it will continue implementing the projects on its "2007-2009 Ranked Capital Project" list (Petitioner's Exhibit CG-3). Emphasis shall be placed by Petitioner on those high priority projects outlined in the pre-filed testimonies of its witnesses, Harry Lawson and Chris Gale.

C. Petitioner shall file a proposed tank refurbishment schedule by the end of 2008 covering all of Petitioner's steel water storage tanks (currently 7 tanks). That filing shall include a proposed schedule for refurbishing the tanks and include a copy of any related professional reports, the recommended degree of blast (SSPC-grade), paint system recommendations, and cost estimates. (A copy of that report shall also be served on the OUCC.)

D. Petitioner shall file an annual report (in December of each year) outlining the status of each of the above capital improvement and tank refurbishment projects. Each annual report shall include the estimated cost of each project, the actual cost of each project to date, the total cost of each project when completed, the projected completion date of each project, and the actual completion date of each project, when concluded. (Copies of each annual report shall also be served on the OUCC.)

E. Petitioner shall establish and file a "Water Conservation and Efficient Use Program" by the end of 2008 that is consistent with EPA guidelines. (A copy of that program shall also be served on the OUCC.)

F. Petitioner shall hereafter use a tank coating cost amortization period of at least 15 years, unless and until revised by a Commission order in a future water rate case. (For Paragraphs B through F, see Pettijohn Testimony at page 15.)

3. The Settling Parties stipulate and agree that the Commission should accept, approve and order the Petitioner be granted the relief requested in its Petition, as stated in the attached proposed Final Order, after the public evidentiary settlement hearing set for Monday, June 4, 2007, commencing at 10:00 AM, EDT, in the National City Center, 101 W. Washington Street, Suite 1500 East, Indianapolis, Indiana, as legally noticed by the Commission in this cause.

4. At the above hearing, the Settling Parties will confirm their request that the Commission approve this Agreement, and all pre-filed evidence will be admitted without cross-examination. Except for any witness who will present “live” testimony in support of the Agreement and the Settling Parties’ request that the Commission approve it and issue its Final Order thereon, no other witness need be present unless the Commission notifies the Settling Parties of the desire to ask questions of any specific witness(es) from the bench, whereupon any such witness(es) shall be present at the scheduled hearing.

5. The Settling Parties agree that the pre-filed testimony and exhibits, along with any testimony in support of this Agreement presented at the noticed public hearing, provide and constitute substantial and sufficient probative evidence (170 IAC 1-1.1-17(d)) upon which the Commission can and should determine that the Agreement is reasonable, just and consistent with the purpose of Indiana Code 8-1-2 *et seq.*; that the Agreement serves the public interest; and that upon approval of this Agreement by the Commission’s Final Order (without any material change

from the proposed final order attached to this Agreement as Exhibit "A"), this proceeding will be finally decided and resolved, without any remaining right of appeal, modification or rehearing, unless otherwise agreed by the Settling Parties.


6. This Agreement shall not constitute nor be cited as precedent, except as necessary to enforce its terms before the Commission or in any state court of competent jurisdiction. The Agreement is solely the result of compromise in the settlement process and, except as provided herein, the proposed Final Order is without prejudice to and shall not constitute a waiver of any legal position that either of the Settling Parties may take in any other regulatory proceeding(s).

7. Each of the undersigned represent that he or she is fully authorized to execute this Agreement on behalf of their designated clients, which clients shall be bound by the undersigned's signatures, made on their client's behalf.

8. This Agreement is contingent upon the Commission's issuance of a Final Order approving the terms of this Agreement without any material change to the proposed Final Order attached to this Agreement as Exhibit "A" that is unacceptable to either Settling Party. In the event the Commission does not approve this Agreement, or approves a modified version that is not acceptable to either Settling Party, this Agreement shall be deemed null and void and withdrawn, unless otherwise agreed by the City and the OUCC.

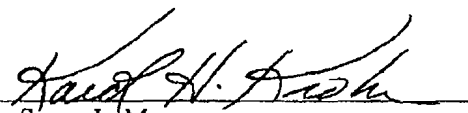
ACCEPTED AND AGREED this 4<sup>th</sup> day of June, 2007.

CITY OF EVANSVILLE, INDIANA, BY AND  
THROUGH ITS WATER AND SEWER  
UTILITY BOARD

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-- AND --

THE INDIANA OFFICE OF UTILITY  
CONSUMER COUNSELOR

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Utility Consumer Counselor  
-and-

Karol H. Krohn (Attorney No. 5566-82)  
Assistant Consumer Counselor

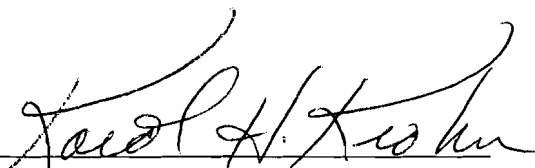
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**CERTIFICATE OF SERVICE**

This is to certify that a copy of the foregoing **Stipulation and Settlement Agreement** has been served upon the following counsel of record in the captioned proceeding by electronic service, hand-delivery, and/or by depositing a copy of same in the United States mail, first class postage prepaid, on June 4, 2007.

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AUTHORITY TO ISSUE BONDS, NOTES,	)	
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AUTHORITY TO INCREASE ITS RATES	)	
AND CHARGES FOR WATER SERVICE,	)	CAUSE NO. 43190
AND FOR APPROVAL OF NEW	)	
SCHEDULES OF WATER RATES,	)	
CHARGES, AND RULES AND	)	
REGULATIONS FOR WATER SERVICE,	)	FINAL ORDER
AND FOR APPROVAL OF ACCOUNTING	)	
AND RATEMAKING TREATMENT FOR	)	APPROVED:
WATER SERVICE TO REFLECT THE	)	
IMPACT OF REASONABLY FIXED,	)	
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REQUIREMENTS OVER THE NEXT	)	
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BY THE COMMISSION:

David E. Ziegner, Commissioner

Aaron A. Schmoll, Administrative Law Judge

On December 11, 2006, the City of Evansville, Indiana ("Petitioner" or the "City") filed its Petition with the Indiana Utility Regulatory Commission ("Commission") seeking authority to issue bonds and for approval of a new schedule of rates and charges for water utility service. Bristol-Myers Squibb Company and its wholly-owned subsidiary, Mead Johnson & Company, and PPG Industries, Inc. (collectively the Evansville Business Alliance or "EBA"), filed a petition to intervene in this proceeding, which petition was granted by the Commission.

Pursuant to notice and as provided for in 170 IAC 1-1.1-15, a Prehearing Conference was held in Room E306 of the Indiana Government Center South, Indianapolis, Indiana at 11:00 a.m. on January 22, 2007. The Petitioner, Intervenor, and the Office of Utility Consumer Counselor ("Public" or "OUCC") appeared and participated in the Prehearing Conference. No members of the general public appeared. The Parties agreed to a prehearing schedule regarding procedural and scheduling matters in this Cause, which was approved by the Commission in its Prehearing Conference Order, approved and issued on February 7, 2007.



A Public Field Hearing was noticed and held on March 29, 2007 at The Centre, Rooms A, B, D and E, 715 Locust Street, Evansville, Indiana, commencing at 6:00 p.m. local time. During the Public Field Hearing, which the Petitioner and the OUCC attended, members of the public presented evidence by spoken or written testimony to the Commission.

Petitioner pre-filed and served its case-in-chief evidence on February 20, 2007, and the OUCC pre-filed and served its responsive evidence on May 4, 2007. Since the Petitioner voluntarily agreed to meet all recommendations in the OUCC's Prefiled Testimony, and since the OUCC's Prefiled Testimony accepted Petitioner's proposed three-phase rate increase, no rebuttal testimony was filed.

The Commission noticed a public Evidentiary Hearing to be held in Conference Center Room #32 of the Indiana Government Center South, Indianapolis, Indiana, commencing at 10:00 am, EDT, on Monday, June 4, 2007. Before the scheduled hearing date, the City and the OUCC (the "Settling Parties") submitted their "Stipulation and Settlement Agreement" together with a proposed "Final Order" for the Commission's information and consideration. A copy of the Stipulation and Settlement Agreement (without Exhibit "A," the Settling Parties' Proposed Final Order) is attached to this Final Order and incorporated herein by reference ("Attachment 1"). The Settling Parties requested that the Commission consider their proposed settlement at the scheduled evidentiary hearing on June 4, 2007.

The Commission subsequently issued notice that the June 4, 2007 evidentiary settlement hearing would be conducted at the Commission's new offices in the National City Center, 101 W. Washington Street, Suite 1500 East, Indianapolis, Indiana, due to the Commission's recent office move. The June 4, 2007 hearing was conducted, as scheduled, in accordance with applicable law.

After hearing and duly considering the Settling Parties' Stipulation and Settlement Agreement and evidence supporting the proposed settlement, we now find that there is ample probative evidence to support the proposed settlement and our conclusion that the Stipulation and Settlement Agreement is reasonable and just, that it is consistent with the purpose of Indiana Code 8-1-2 *et seq.*, and that it serves the public interest by approving needed capital improvement and tank refurbishment projects required to provide safe and reliable water utility service; by adopting reasonable procedures for tracking and reporting Petitioner's progress on authorized projects; by authorizing a reasonable and prudent method of financing needed projects; by approving agreed *pro forma* revenue requirements and an agreed, three-phase rate increase to help reduce rate shock; and by incorporating all conditions recommended by the OUCC concerning true-up filings, water conservation programs, filing and reporting requirements, creation and use of a tank refurbishment plan, and agreement on appropriate accounting treatment of tank refurbishment expenses, all designed to protect consumer interests in maintaining safe and reliable water utility service at fair, reasonable and lawful rates.

Having found and concluded the Stipulation and Settlement Agreement meets all of the requirements and standards set forth above, the Commission now accepts, approves and hereby issues its order and certificates of authority requested by Petitioner as follows, which findings and conclusions constitute a “Final Order” of the Commission, not subject to appeal or review under the terms of the Settling Parties’ Stipulation and Settlement Agreement, concluding this proceeding.

1. Notice and Jurisdiction. Proper legal notices of the filing of the Petition and the hearings held herein were published as required by law. Petitioner is a municipally owned utility within the meaning of the Public Service Commission Act, as amended, and is subject to the jurisdiction of this Commission in the manner and to the extent provided by the laws of the State of Indiana, including but not limited to Ind. Code 8-1-2 *et seq.*, Ind Code 8-1.5-2-19, and Ind Code 8-1.5-3-8. The Commission has jurisdiction over Petitioner and the subject matter of this Cause.

2. Petitioner’s Characteristics. Petitioner owns and operates municipal waterworks facilities that serve approximately 55,000 customers in the incorporated City of Evansville, in unincorporated areas of Vanderburgh County, and in other areas outside of Vanderburgh County, Indiana. Additionally, Petitioner sells water at wholesale to certain other customers such as Gibson Water, Inc., and German Township Water District, Inc.

3. Relief Requested. Petitioner requests authority to issue \$36,000,000 in long-term debt using revenue bonds to finance the construction of various improvements to its municipal water utility system, and requests approval and authorization of an across-the-board 43.50% rate increase. Petitioner proposes to spread the effect of its rate increase over three years, with three separate, consecutive rate increases at intervals of approximately one year, with Phase I to occur upon issuance and compliance by Petitioner with the Commission’s order granting the requested relief, on or around January 1, 2008, prior to Petitioner incurring the requested additional long-term debt for planned capital improvement projects. Phase I rates would cover increased operating expenses incurred and increases in the funds needed for depreciation since Petitioner’s last rate case order. (IURC Cause No. 42176, Order dated February 18, 2004.)

The proposed Phase II rate increase would occur approximately one year later, on or around January 1, 2009, when Petitioner plans to begin paying interest relating to the new revenue bonds. The Phase II rate increase will cover increased depreciation and payments in lieu of property taxes (“PILT”) after Petitioner has completed the ongoing capital improvement projects authorized and funded in Petitioner’s last rate case. Phase II rates will also cover debt service on the new revenue bonds and the related increase in Petitioner’s utility receipts tax (“URT”).

Phase III rates would become effective approximately one year after the start date of Phase II, on or around January 1, 2010, when Petitioner has progressed on construction

of the proposed capital improvement projects described in its evidence. The Phase III rate increase will be used to cover increased depreciation and PILT relative to the new capital improvement projects, debt service on the new revenue bonds (using a five-year average), and the related increase in URT. All told, the Petitioner seeks our approval of an overall cumulative rate increase of 43.50%, broken down by Phase as follows:

Phase I.....12.10%

Phase II.....16.80%

Phase III.....9.60%

The above percentage increases are compounded, since the rate increase in Phase II will be applied to total revenue from increased rates already implemented in Phase I, and the rate increase in Phase III will be applied to higher rates already implemented in Phase II, bringing the total overall rate increase to 43.50%.

The Prefiled Testimony of Petitioner's Manager, Harry Lawson, includes a copy of the Customer Notice Petitioner sent to its retail and wholesale customers in February, 2007, advising them of the requested across-the-board water utility rate increase, to be phased in over a three-year period of time. (See Lawson Testimony, p. 6, and Exhibit HL-5 attached thereto.)

4. Field Hearing. At the March 29, 2007 Field Hearing, one water utility customer appeared. That customer voiced opposition and provided written comments objecting to Petitioner's proposed overall rate increase. Those comments were made a part of the evidentiary record in this proceeding, along with a letter from State Senator Vaneta Becker to Indiana Utility Consumer Counselor, Susan L. Macey. Senator Becker's letter opposed the proposed rate increase, since it would follow several recent increases in other utility rates. During the Field Hearing, the Commission invited members of the public to submit any additional written comments to it by mail or other delivery before the final evidentiary hearing. However, no additional public comments have been received by the Commission.

5. Test Year. Pursuant to the Prehearing Conference Order, the test year to be used for determining Petitioner's actual and *pro forma* operating revenues, expenses and operating income under present and proposed rates is the twelve (12) months ended May 31, 2006. The financial data for such test year, when adjusted for changes as provided in the Prehearing Conference Order, fairly represents Petitioner's annual operations. We conclude, therefore, that such test year is a proper basis for fixing new rates for Petitioner and testing the effects thereof.

6. Petitioner's Proposed Capital Improvement Projects. Petitioner requests authority to issue \$36,000,000 in long-term debt using revenue bonds, as described

above, to pay for a number of important and needed upgrades to Petitioner's water distribution plant infrastructure and its water treatment facilities, which improvements will allow Petitioner to continue to provide adequate and reliable service to its customers. (A copy of Petitioner's proposed bond amortization schedule, taken from page 6 of Petitioner's Exhibit GGM-1, included in the Direct Testimony of Gerald G. Malone, CPA, is attached to this Order as "Attachment 2" and incorporated herein by reference.)

Distribution System Improvements planned include the construction of a new elevated storage tank in the Killian Pressure Zone; the downtown, waterfront Veterans Memorial Water Main Replacement; and several major water main improvements necessitated by INDOT road projects. Planned Water Treatment Plant Improvements include the reconditioning of North Plant flocculation tanks; addition of a third set of South Plant (train) primary and secondary flocculation basins to increase flow capacity of the South Plant and assist flow balancing between the North and South Plants (trains); and addition of filters 35 and 36 to increase the firm filtration capacity to 60 MGD. Petitioner further intends to renovate certain storage tanks, make additional treatment plant upgrades, and construct, install and implement treatment procedures in meeting its current and anticipated environmental requirements, in accordance with Petitioner's Master Plan.

(A) Applicable Law. Pursuant to I.C. 8-1.5-2-19, a municipality must seek and obtain Commission approval prior to issuing bonds. The Commission applies a two-pronged test in determining whether to approve the issuance of bonds. That test has been described in prior Commission Orders (including Petitioner's last rate order), as follows:

First, the Commission must consider whether the proposed capital improvement program is reasonably necessary to enable the Petitioner to render adequate and efficient utility service. Second, the Commission must determine whether the proposed bond issue is a reasonable method for financing the necessary capital improvements.

*In re Town of Sellersburg*, Cause No. 37921, approved June 4, 1986 (at p. 3). See also *In re City of Elkhart*, Cause No. 38892, approved May 9, 1990 (at p. 3).

(B) Evidence Relating to the Petitioner's Capital Improvement Program. Petitioner's Witness, Christopher Gale, an engineer with HNTB Corporation, testified regarding the necessity for the proposed capital projects. Petitioner contracted HNTB in 1998 to develop a "Master Plan" for the water utility. HNTB performed extensive evaluations of both the water distribution system and treatment plant in preparing the Master Plan and arriving at its original recommendation of projects which were necessary for Petitioner to continue to provide adequate and efficient utility service. HNTB updated portions of the Master Plan in 2002 to specify recommended projects which were described and included in the project list placed into evidence in Petitioner's last water rate case, IURC Cause No. 42176. Likewise, HNTB has updated the recommended list of projects which have been included, described and supported in this case by the exhibits

and testimony filed by Petitioner's Witnesses Chris Gale, Mike Moler, and Harry Lawson. A list of the underlying projects is attached to Mr. Lawson's testimony as Exhibit "HL-1."

Public's Witness Roger A. Pettijohn described and analyzed Petitioner's proposed capital improvement projects noting, for example, that Petitioner's 35 MGD firm capacity plant is not presently capable of meeting peak demand if a 15 MGD-rated flocculation basin is out-of service -- "...a situation that will be addressed in Petitioner's proposed system improvements." (Pettijohn Testimony, pp. 3-4.) Mr. Pettijohn explained the need for each of Petitioner's capital improvement projects at pp. 8-10 of his testimony and concluded that "...the improvements will improve service reliability through greater Treatment Plant capacity and delivery."

Although it is not one of the projects being funded through Petitioner's planned bond issuance, Mr. Pettijohn identified another capital improvement project that might have to be made during the time that the proposed rates are in effect, depending on what conditions the Indiana Department of Environmental Management ("IDEM") imposes on Petitioner's next National Pollutant Discharge Elimination System ("NPDES") permit renewal:

In its upcoming NPDES permit renewal with IDEM, Petitioner might be required to collect, pump and dispose of residuals produced from flocculation/sedimentation basins. These solids are currently being returned to the River along with backwash water. Mr. Gale estimated a cost of 4 million dollars (\$4.0M) or more to implement those environmental protection measures. (See RAP Attachment 5). Up to this point, solids or residuals have been returned to the Ohio River (which, due to its size, results in significant dilution). However, it is possible that IDEM will impose additional restrictions when it issues Petitioner's next NPDES Permit.

(Pettijohn Testimony, p. 10.)

(C) Evidence Supporting Reasonableness of Engineer's Cost Estimates.

Petitioner provided cost estimates for the projects proposed in this Cause through the testimony and exhibits of Petitioner's Manager, Harry Lawson; its contract employee with American Water, Mike Moler, who oversees operation of the Water Treatment Plant; and Chris Gale, who participated in the preparation of the original "Ten Year Master Plan" in 2000 and updates of that Plan in 2002 and most recently in 2006, which updates are continuing.

In addition to his testimony, Mr. Gale filed his separate Exhibits, which include Exhibit CG-1, a copy of the multi-volume, 2000 Master Plan. Mr. Gale's testimony also addresses subsequent updates to the Master Plan. Copies of and additional data concerning the Master Plan and its updates and relevant engineering cost estimates have

been provided to the OUCC and EBA through Petitioner's discovery responses. Mr. Gale's Exhibit CG-2, in numerous pages, is the "Updated Project Cost Estimates" of 28 projects proposed by the Petitioner. His Exhibit CG-3 charts Petitioner's "2007-2009 Ranked Capital Improvements Projects" for its Water Treatment Plant and Distribution System. The \$37,356,500 total project cost estimate is found on page 5 of Petitioner's Exhibit GGM-1 to the Direct Testimony of Gerald G. Malone, C.P.A., and further detailed in Petitioner's Exhibit CG-3 to the Direct Testimony of Christopher B. Gale, P.E. (pertinent pages of those Exhibits are attached to this Order as "Attachment 3" and incorporated herein by reference). Project cost estimates will be updated in annual project reports to be filed with the Commission as the projects are designed, bid and completed. (Gale Testimony, p. 15.) Witness Gale concluded:

The capital improvements will improve the reliability of the treatment systems by making investment in all of the major components of the treatment and distribution system, including the pumping, electrical components, chemical feed, piping, storage, filtration, sedimentation and many other treatment components.

(Gale Testimony, p. 11.)

All witnesses and their evidence support Petitioner's Capital Improvements Program and, there being no evidence to the contrary, we find that the planned improvements are reasonable and necessary, subject to Petitioner's compliance with certain recommendations made by the OUCC (see Pettijohn Testimony, p. 15), as more fully discussed in Finding Paragraph 11 of this Order. We believe the OUCC's recommendations are reasonable, prudent and appropriate. Accordingly the Commission finds and concludes that Petitioner's Capital Improvements Program and Petitioner's proposed financing are proper and are hereby accepted, authorized, approved and ordered, with the expectation and requirement that Petitioner meet the OUCC's proposed project reporting requirements, as detailed in Finding Paragraph 11 of this Order.

7. Petitioner's Pro Forma Operating Revenues at Current Rates. Petitioner reported its total test year operating revenues from water sales, per books, to be \$15,871,295. (See Testimony of Petitioner's Accounting Witness, Gary Malone, p. 15.) However, that total includes revenue from sources other than metered water sales. For example, included in that total are test year revenues from public and private fire protection of \$1,496,092; forfeited discounts of \$107,638; \$2,242,587 in reimbursements for expenses shared with Petitioner's sewer utility operations; and revenue from other sources of \$304,316.

Petitioner has proposed adjustments to normalize its annual operating revenues by adjusting test year revenues to reflect normalized annual metered sales resulting from the actual number of additional users added during the test year, as calculated by Mr. Malone. (Malone Testimony, pp. 16-17.) Those adjustments include a \$30,761 *pro*

*forma* increase in revenue from Residential Water Sales and a \$17,902 *pro forma* increase in Commercial and Industrial Water Sales.

Petitioner does not expect test year wholesale revenues to increase; but it expects an \$18,317 increase in test year revenues from public or private fire protection charges based on the current number of customers paying those charges. Petitioner also projected a \$37,387 *pro forma* increase in revenue from other sources.

Finally, Petitioner made a *pro forma* adjustment of \$130,046 to the amount of revenue it expects to receive as reimbursement for “shared expenses,” since Petitioner is a combined water and sewer municipal utility.

Taking into account all of those adjustments, Petitioner’s test year revenues of \$15,871,295 are expected to increase by \$234,413, for total normalized annual *pro forma* revenues of \$16,105,708 at current rates. OUCC Witness Stull accepted both Petitioner’s revenue adjustments and Petitioner’s calculation of total *pro forma* annual revenues at present rates.

8. OUCC Proposed Adjustments to Petitioner’s *Pro Forma* Revenue Requirement. Ms. Stull also agrees for the most part with Petitioner’s total *pro forma* annual revenue requirement of \$22,752,521. Ms. Stull noted other adjustments to Petitioner’s projected operating expenses, taxes other than income tax, and PILT. (See Stull Testimony, p. 6, Table MAS-1.) Those adjustments are discussed further below. However, additional amounts Petitioner voluntarily chose to forego in this rate case far exceed accounting adjustments identified by Ms. Stull. Therefore, the OUCC’s Accounting Witness adopted the Petitioner’s *pro forma* revenue requirement for purposes of this rate proceeding. After weighing the evidence, we agree with Ms. Stull’s decision not to pursue the following additional adjustments in this case, in light of the settlement that was reached, since the OUCC’s total downward adjustments to Petitioner’s *pro forma* revenue requirement are less than the amount of revenue Petitioner voluntarily chose to forego in this rate case.

(A) Operating Expenses. Ms. Stull’s accounting schedules would support a \$461,045 decrease in operating expenses included in Petitioner’s calculated *pro forma* revenue requirement. That decrease would include the following major adjustments, omitting reference to minor adjustments, since the OUCC accepted Petitioner’s *pro forma* revenue requirements for purposes of this rate case:

(i) Maintenance Expenses. Petitioner proposed a \$353,007 adjustment to test year maintenance expenses which covered, among other things, increased pump and booster station maintenance, filter media replacement, tank cleaning and tank painting. However, OUCC Witness, Ms. Stull, identified additional adjustments that would reduce Petitioner’s *pro forma* maintenance expenses by \$102,500, for an overall increase of \$250,507.

Most of the \$102,500 decrease would be attributed to three underlying adjustments. The first two adjustments would involve the elimination of certain pump and booster station maintenance expenses expected to be less than \$5,000 per event, in which case the maintenance costs would already be covered by the monthly management fee Petitioner pays to American Water, Inc. The third adjustment pertains to Petitioner's tank painting expenses. The OUCC's calculations would increase the allowance for future tank painting to cover the new tank Petitioner plans to construct under its capital improvement plan. However, the OUCC would amortize all tank painting expenses over fifteen years, rather than the ten years proposed by Petitioner. (See Pettijohn Testimony, pp. 14-15. See also Stull Testimony, pp. 8-9 and Schedule 6, p. 3, Adjustment 7.)

(ii) Non-Recurring Expenses. Ms. Stull identified \$27,638 more Non-recurring Expenses than identified by the Petitioner. The OUCC could have requested a \$316,499 downward adjustment to Petitioner's annual operating expenses, as compared to the \$288,861 reduction the Petitioner proposed. That difference is primarily due to Petitioner's payment of two annual ESRI licensing fees and two annual CSX Transportation fees during a single test year. (See Stull Testimony, p. 9, and Schedule 6, p. 4, Adjustment 8.)

(iii) Contractual Service Expenses. The OUCC's \$938,694 *pro forma* adjustment to Petitioner's total test year contractual services expense is \$330,005 less than Petitioner's proposed \$1,268,699 increase. (See Stull Testimony, p. 7, Table MAS-2, and Schedule 6, p. 4, Adjustment 9.) Petitioner adjusted its test year costs for electricity, natural gas, and chemicals, since those costs are covered by Petitioner's recently renegotiated Water Operations Management Contract. The OUCC did not challenge the new projected costs for electricity and natural gas, but noted an adjustment to Petitioner's projected chemical costs. Petitioner requested a \$356,844 increase in its test year chemical costs (a 53.4% increase). However, adjustments noted by OUCC Witness Ms. Stull would have significantly reduced that amount, since most chemical costs are already covered under Petitioner's new management contract. (See Stull Testimony, pp. 7-10, and Schedule 6, p. 4, Adjustment 9.)

(iv) Property Taxes Paid. The OUCC would also have recommended a *pro forma* decrease of \$1,006 to test year operating expenses, since Petitioner inadvertently paid \$1,006 in county property taxes during the test year on property located outside city limits. Since Petitioner is exempt from paying property taxes under I.C. 6-1.1-10-5, the test year payment was made in error. (See Stull Testimony, p. 11, and Schedule 6, p. 8, Adjustment 14.)

(B) Taxes Other than Income Tax. Petitioner proposed an adjustment to FICA, which the OUCC accepted without change. However, the OUCC identified the following possible adjustments to Petitioner's PILT and URT adjustments.



(i) Payment in Lieu of Taxes (PILT). The OUCC identified an \$88,225 overstatement of PILT in Petitioner's *pro forma* calculations. Petitioner did not update accumulated depreciation to cover new plant additions planned during the next several years, inflating Petitioner's *pro forma* PILT. Petitioner also did not remove plant located outside the City before making PILT computations, further inflating that figure. (See Stull Testimony, p. 6, Table MAS-1; p. 11; and Schedule 6, p. 7, Adjustment 13.)

(ii) Utility Receipts Tax (URT). The OUCC identified a \$4,933 overstatement in Petitioner's *pro forma* URT calculations. Petitioner did not subtract wholesale revenue (which is exempt from the URT) before calculating its *pro forma* URT. (See Stull Testimony, p. 6, MAS-1; p. 11; and Schedule 6, p. 8, Adjustment 14.)

(C) Working Capital. Petitioner did not request working capital as part of its revenue requirement, so the OUCC did not have any related adjustments.

(D) Depreciation Expense. Petitioner requested an allowance for depreciation expense in its *pro forma* revenue requirement, instead of requesting recovery for planned extensions and replacements ("E&R"). The OUCC did not propose further adjustments, since the Petitioner used the Commission's approved composite depreciation rate to calculate *pro forma* Depreciation Expense, and also voluntarily reduced the amount of that revenue requirement element to keep Petitioner's over-all rate increase within the 43.50% authorized by the City. Petitioner's "Master Plan" and later updates take into account Petitioner's needs and future system requirements, including plans on how Petitioner will spend any depreciation funds recovered through rates.

(E) Debt Service. The OUCC agreed with Petitioner's proposed debt financing and debt service revenue requirements, including its debt amortization schedule, as shown in "Attachment 2." Petitioner is not requesting an allowance for debt service reserve as part of its revenue requirement, since any required reserve will be included in the amount being financed. However, Petitioner must comply with agreed true-up requirements discussed in Finding Paragraph 10 of this Order.

(F) Pro Forma Revenue Petitioner Voluntarily Waived. Ms. Stull's decision to accept Petitioner's *pro forma* revenue requirement for purposes of this rate case was based on her determination that the OUCC's total *pro forma* downward accounting adjustment of \$544,337 (the difference between the *pro forma* revenue requirement calculated by the Petitioner, \$22,752,521, and the amount calculated by the OUCC, \$22,208,184) was more than offset by the potential \$868,078 increase in rate revenue that Petitioner voluntarily waived by reducing its rate increase to 43.5%, to be implemented in 3 separate, consecutive rate increases, extended over a period of approximately 3 years.

With Petitioner's voluntary reduction in its overall rate increase request, Petitioner requested an increase in annual rate revenue of only \$5,778,735, instead of the full \$6,646,813 or 50.04% increase derived from Schedules included in the testimony of Petitioner's Accounting Witness, Mr. Malone (for a voluntary reduction of \$868,078), and instead of the full \$6,102,476 or 45.94% increase calculated by the OUCC's Accounting Witness, Ms. Stull (or a voluntary reduction of \$323,741, over and above the \$544,337 downward adjustment supported by Ms. Stull's accounting schedules). (See Stull Testimony, Schedule 1, p. 1.)

Petitioner's \$868,078 voluntary reduction of its requested rate increase could be attributed to reductions in or elimination of a number of different revenue requirement elements, such as operations and maintenance expenses (O&M), payments in lieu of taxes (PILT), debt service reserve, a higher allowance for extensions and replacements (instead of depreciation computed using the IURC's composite depreciation rate), and/or Petitioner's decision to phase its total rate increase in gradually over the next 3 years. However, for purposes of presenting their proposed settlement, the entire voluntary reduction is shown as a reduction of Petitioner's requested allowance for depreciation.

9. Commission Findings and Conclusions on Petitioner's *Pro Forma* Revenue Requirement and its Agreed Three-Phase Rate Increase. Despite the accounting differences identified by Ms. Stull, the Commission agrees that the additional \$544,337 downward adjustments the OUCC identified would not justify any further reduction in Petitioner's requested rate increase, since the Petitioner already voluntarily reduced its rate increase by \$868,078, based on Petitioner's accounting evidence, or by \$323,741 based on the OUCC's accounting schedules. We agree that the requested three-phase cumulative rate increase provides less of a rate increase than would be supported by Petitioner's accounting evidence (assuming Petitioner's total capital projects costs are \$37,356,500), regardless of whether the OUCC's accounting adjustments are all accepted. We therefore adopt and approve the following *pro forma* annual revenue requirement and three-phase rate increase requested by the Petitioner, and accepted by the OUCC for purposes of this settlement:

	<u>Phase I</u>	<u>Phase II</u>	<u>Phase III</u>
Petitioner's Calculated Rate Increase <u>if</u> <u>Fully Implemented</u> [3-Yr. Compounded Total: <u>50.04%</u> ]	18.60%	15.89%	9.37%
OUCC's Calculated Rate Increase [3-Yr. Compounded Total: <u>45.94%</u> ]	15.17%	15.94%	9.29%
<b>Petitioner's <u>Requested Rate</u></b>	<b>12.10%</b>	<b>16.80%</b>	<b>9.60%</b>

**EXHIBIT A**

**Increase - Accepted by OUCC**  
**[3-Yr. Compounded Total:**  
**43.50%]**

<b>Projected Effective Dates of Phased-in Rate Increases:</b>	<b>1/1/2008</b>	<b>1/1/2009</b>	<b>1/1/2010</b>
<b><u>Pro Forma Revenue Requirements</u></b>	<b><u>Phase I</u></b>	<b><u>Phase II</u></b>	<b><u>Phase III</u></b>
Operating Expenses	\$ 13,333,773	\$ 13,367,244	\$ 13,389,584
Taxes other than Income	465,146	465,146	465,146
Depreciation Expense	2,062,300	2,426,996	3,043,118
Depreciation Expense- <u>Not Requested</u>	(863,237)	(864,437)	(868,078)
Working Capital	-	-	-
Payment in Lieu of Taxes	514,408	702,956	992,990
Debt Service	2,512,234	4,428,417	5,173,267
Debt Service Reserve	-	-	-
<b>Total Revenue Requirements</b>	<b>18,024,624</b>	<b>20,526,322</b>	<b>22,196,027</b>
Less: Interest Income	(287,018)	(287,018)	(287,018)
Rental Income	(1,160)	(1,160)	(1,160)
Misc. Non-Operating Income	(23,406)	(23,406)	(23,406)
<b>Net Revenue Requirements</b>	<b>17,713,040</b>	<b>20,214,738</b>	<b>21,884,443</b>
Less: Revenues at current rates subject to increase	(13,283,734)	(14,891,065)	(17,392,764)
Other revenues at current rates	(2,821,974)	(2,821,974)	(2,821,974)
<b>Total Revenue Increase Requested</b>	<b><u>\$ 1,607,332</u></b>	<b><u>\$ 2,501,699</u></b>	<b><u>\$ 1,669,705</u></b>
<b>Percentage Increase Requested</b>	<b><u>12.10%</u></b>	<b><u>16.80%</u></b>	<b><u>9.60%</u></b>
<b>Overall Percentage Increase Requested</b>			<b><u>43.50%</u></b>

The Commission commends the Petitioner's efforts to spread the required rate increase over three years and to identify appropriate and reasonable financing approaches that enabled it to do so (such as Petitioner's decision to capitalize interest payments on the authorized bond issuance through January 1, 2009, thereby postponing the need to recover those amounts through rates). However, Petitioner acknowledged, and this Commission recognizes, that certain lower priority planned capital improvements may need to be deferred if the cost of higher priority capital improvement projects exceeds

projected cost estimates or if IDEM imposes additional capital requirements on Petitioner in upcoming NPDES permit renewal proceedings.

10. OUCC Recommended True-up Process and Reporting Requirements. After reviewing the OUCC's recommendations concerning an appropriate true-up process and associated reporting requirements (Stull Testimony, p. 13), and taking into account that the Petitioner accepted and agreed to comply with the OUCC's true-up recommendations in the Parties' Stipulation and Settlement Agreement filed in this proceeding, we find that the Petitioner shall file a true-up report within 30 days of issuing the debt authorized herein. The true-up report must state the actual interest rate and amount borrowed, and include an updated amortization schedule.

If Petitioner's actual project and financing costs result in annual debt service requirements that are materially different from those included in Petitioner's bond amortization schedule ("Attachment 2"), Petitioner shall promptly file a revised tariff to give effect to material changes in debt service identified in the true-up report, incorporating any changes to rates approved in the Final Order, in accordance with the agreed true-up process. (See Stull Testimony, p. 13.)

11. Project Reporting and Other Requirements Regarding Capital Improvements, Tank Refurbishing and Water Conservation Efforts. The City also accepted and agreed to the commitments and reporting requirements recommended by the OUCC in the Pre-filed Testimony of Roger A. Pettijohn (Pettijohn Testimony, p. 15), requiring Petitioner to:

(A) Complete any unfinished capital improvement projects that were approved by the Commission in Petitioner's last water rate case, and continue implementing the projects on its "2007-2009 Ranked Capital Project" list (Petitioner's Exhibit CG-3), emphasizing those high priority projects outlined in the pre-filed testimonies of Petitioner's Witnesses, Harry Lawson and Chris Gale.

(B) File a proposed tank refurbishment schedule in this Cause by the end of 2008 covering all of Petitioner's steel water storage tanks (currently 7 tanks). That filing shall include a proposed schedule for refurbishing the tanks, the recommended degree of blast (SSPC-grade), paint system recommendations, cost estimates, and copies of any related professional reports. A copy of the plan should be served on the OUCC.

(C) File annual project reports (in December of each year) in this Cause outlining the status of each of the above capital improvement and tank refurbishment projects. (See paragraphs 11-A and 11-B above.) Each annual project report shall include the estimated cost of each project, the actual costs incurred to date for each project, the actual total cost of each completed project,

the projected completion dates, and actual completion dates for each finished project. A copy of each annual project report should also be served on the OUCC.

(D) Establish a "Water Conservation and Efficient Use Program" by the end of 2008 that is consistent with EPA guidelines. The program should be filed in this Cause and a copy served on the OUCC.

(E) Use a tank coating cost amortization period of at least 15 years (unless or until the Commission orders a different amortization period in a future water utility rate case).

IT IS THEREFORE ORDERED BY THE INDIANA UTILITY REGULATORY COMMISSION that:

1. The Petitioner is hereby authorized to commence and complete all of the capital improvement projects discussed and approved in this Order and identified in Petitioner's Master Plan. This authority is conditioned on Petitioner's compliance with commitments and project reporting requirements recommended by the OUCC and approved and adopted by this Commission in Finding Paragraph 11 of this Order.

2. Petitioner shall be and is hereby authorized to issue waterworks revenue bonds in a principal amount not to exceed \$36,000,000 in order to fund the capital improvement projects approved herein, as listed on page 5 of Petitioner's Exhibit GGM-1 to the Direct Testimony of Gerald G. Malone, C.P.A., and further detailed in Petitioner's Exhibit CG-3 to the Direct Testimony of Christopher B. Gale, P.E. (pertinent pages of those Exhibits are attached to this Order as "Attachment 3" and incorporated herein by reference), with a total project cost estimate of \$37,356,500. Petitioner's bond amortization schedule, found on page 6 of Petitioner's Exhibit GGM-1 to the Direct Testimony of Gerald G. Malone, C.P.A., is attached to this Order and incorporated herein by reference ("Attachment 2").

3. Petitioner shall comply with true-up filing requirements recommended by the OUCC, as discussed and approved in Finding Paragraph 10 of this Order. Therefore, within thirty days of its debt issuance, the Petitioner shall file a true-up report with the Commission and serve a copy on the OUCC. The true-up report shall state the actual bid costs of the capital improvement and tank refurbishment projects approved and funded herein, the actual amount of debt issued, the actual interest rate, and an updated amortization schedule. If Petitioner's actual project or financing costs result in annual debt service requirements that are materially different from those included in Petitioner's bond amortization schedule ("Attachment 2"), Petitioner shall promptly file an appropriate revised tariff with a schedule of rates and charges that reflects those material differences in debt service, in accordance with the agreed true-up process.

4. Petitioner is hereby authorized to implement the phased-in rate increases shown in Finding Paragraph 9 of this Order (for a total across-the-board rate increase of 43.5% by the end of the three-year phase-in period approved herein), and to proceed with project implementation and other associated financial, accounting, and rate-related actions. The tariff changes for Phase I, Phase II, and Phase III of this proceeding shall be filed with the Water Division of the Commission in accordance with the Commission's Rules. The Phase II and Phase III tariffs shall be trued-up (*i.e.*, updated), in accordance with the Stipulation and Settlement Agreement to accurately reflect changes in the project costs or debt service. Each of said tariffs, when approved by the Water Division, shall progressively cancel all previously approved rates and charges, and Petitioner's then-newly-approved rates and charges shall immediately be in full force and effect.

5. The Commission accepts and incorporates by reference all requirements and provisions of the Stipulation and Settlement Agreement ("Attachment 1") signed and filed by the City and the OUCC (the "Settling Parties") and admitted into evidence by the Commission without objection, which the Commission hereby accepts, authorizes, approves and orders the Settling Parties to follow.

6. In accordance with I.C. 8-1-2-85, Petitioner shall pay a fee of twenty-five cents (\$0.25) for each \$100 of revenue bonds issued, into the Treasury of the State of Indiana, through the Secretary of this Commission, within thirty (30) days of receiving the financing proceeds authorized herein.

7. In accordance with I.C. 8-1-2-70, Petitioner shall pay the following itemized charges within twenty (20) days from the date of this Order, into the Treasury of the State of Indiana, through the Secretary of this Commission:

Commission Charges  
Reporting Charges  
Legal Advertising Charges  
OUCC Charges

TOTAL:

8. This Order shall be effective on and after the date of its approval.

HARDY, GOLC, LANDIS, SERVER, AND ZIEGNER CONCUR  
APPROVED:

I hereby certify that the above is a true and correct copy of the Order as approved.

---

Brenda A. Howe  
Executive Secretary to the Commission

## ATTACHMENT 1

["ATTACHMENT 1" to the proposed Final Order, which is identified therein as a copy of the Stipulation and Settlement Agreement, is intentionally omitted here to avoid duplicating the cover pleading.]



## EVANSVILLE (INDIANA) WATERWORKS DISTRICT

**SCHEDULE OF AMORTIZATION OF \$36,000,000 PRINCIPAL AMOUNT OF  
PROPOSED WATERWORKS DISTRICT REVENUE BONDS**

Principal payable annually January 1st, beginning January 1, 2011.

Interest payable semi-annually January 1st and July 1st, beginning July 1, 2008.

Assumed interest rates as indicated.

Assumes bonds dated January 1, 2008.

Payment Date	Principal		Assumed Interest Rate(s) (%)	Debt Service		Bond Year Total
	Balance	Principal		Interest	Total	
	(In thousands)			(In Dollars)		
07/01/08				\$959,860.25	\$959,860.25	
01/01/09				959,860.25	959,860.25	\$1,919,720.50
07/01/09				959,860.25	959,860.25	
01/01/10				959,860.25	959,860.25	1,919,720.50
07/01/10				959,860.25	959,860.25	
01/01/11	\$36,000	\$735	4.73	959,860.25	1,694,860.25	2,654,720.50
07/01/11				942,477.50	942,477.50	
01/01/12	35,265	770	4.76	942,477.50	1,712,477.50	2,654,955.00
07/01/12				924,151.50	924,151.50	
01/01/13	34,495	815	4.82	924,151.50	1,739,151.50	2,663,303.00
07/01/13				904,510.00	904,510.00	
01/01/14	33,680	850	4.89	904,510.00	1,754,510.00	2,659,020.00
07/01/14				883,727.50	883,727.50	
01/01/15	32,830	885	4.96	883,727.50	1,768,727.50	2,652,455.00
07/01/15				861,779.50	861,779.50	
01/01/16	31,945	930	5.00	861,779.50	1,791,779.50	2,653,559.00
07/01/16				838,529.50	838,529.50	
01/01/17	31,015	970	5.06	838,529.50	1,808,529.50	2,647,059.00
07/01/17				813,988.50	813,988.50	
01/01/18	30,045	860	5.10	813,988.50	1,673,988.50	2,487,977.00
07/01/18				792,058.50	792,058.50	
01/01/19	29,185	885	5.14	792,058.50	1,677,058.50	2,469,117.00
07/01/19				769,314.00	769,314.00	
01/01/20	28,300	925	5.18	769,314.00	1,694,314.00	2,463,628.00
07/01/20				745,356.50	745,356.50	
01/01/21	27,375	970	5.21	745,356.50	1,715,356.50	2,460,713.00
07/01/21				720,088.00	720,088.00	
01/01/22	26,405	1,010	5.26	720,088.00	1,730,088.00	2,450,176.00
07/01/22				693,525.00	693,525.00	
01/01/23	25,395	1,055	5.29	693,525.00	1,748,525.00	2,442,050.00
07/01/23				665,620.25	665,620.25	
01/01/24	24,340	1,100	5.33	665,620.25	1,765,620.25	2,431,240.50
07/01/24				636,305.25	636,305.25	
01/01/25	23,240	1,150	5.36	636,305.25	1,786,305.25	2,422,610.50
07/01/25				605,485.25	605,485.25	
01/01/26	22,090	3,965	5.38	605,485.25	4,570,485.25	5,175,970.50
07/01/26				498,826.75	498,826.75	
01/01/27	18,125	4,175	5.46	498,826.75	4,673,826.75	5,172,653.50
07/01/27				384,849.25	384,849.25	
01/01/28	13,950	4,405	5.49	384,849.25	4,789,849.25	5,174,698.50
07/01/28				263,932.00	263,932.00	
01/01/29	9,545	4,645	5.52	263,932.00	4,908,932.00	5,172,864.00
07/01/29				135,730.00	135,730.00	
01/01/30	4,900	4,900	5.54	135,730.00	5,035,730.00	5,171,460.00
Totals		<u>\$36,000</u>		<u>\$31,919,671.00</u>	<u>\$67,919,671.00</u>	<u>\$67,919,671.00</u>

Average annual debt service for the 5 years ended January 1, 2015.

\$2,656,890.70(The Accountants' Compilation Report and the accompanying  
comments are an integral part of this statement.)

EVANSVILLE (INDIANA) WATERWORKS DISTRICT

**ESTIMATED PROJECT COSTS AND FUNDING**  
(Per Consulting Engineer)

**ESTIMATED PROJECT COSTS**

Estimated Construction Costs:

Water treatment plant improvements	\$10,260,000
Distribution system improvements	8,231,000
INDOT projects	3,005,000
City projects and meters and services	805,100
Water quality projects	490,000
Vehicles	206,000

Sub-total 22,997,100

Construction contingencies 2,784,000

Total Estimated Construction Costs 25,781,100

Estimated Non-Construction Costs:

Engineering:

Planning 672,000

Design 2,056,000

Construction administration 1,797,000

Property/equipment acquisition 500,000

Cash funded debt service reserve 3,600,000

Capitalized interest through January 1, 2009 1,919,721

Legal, financial advisory, bond issuance costs and  
general project contingencies 1,030,679

Total Estimated Non-Construction Costs 11,575,400

Total Estimated Project Costs \$37,356,500

**ESTIMATED PROJECT FUNDING**

Proposed Waterworks District Bonds \$36,000,000

Estimated Interest Earnings (1) 1,356,500

Total Estimated Project Funding \$37,356,500

- (1) Assumes \$14,117,200 drawn down ratably over 36 months, \$12,403,000 drawn down ratably over 24 months and capitalized interest on June 30 and December 31, 2008 at an assumed interest rate of 4%.

(The Accountants' Compilation Report and the accompanying  
comments are an integral part of this statement.)

**2007-2009 Ranked Capital Improvements Projects  
Water Treatment Plant and Distribution System  
Evansville, IN**

Project Ranking	Project Priority	Project Description	Construction	Contingency	Planning / Study	Design	Construction Administration	Project Costs		Remarks
								TOTAL		
1		Replace three existing V-800 chlorinators with four (4) new V-2000 chlorinators	\$80,000	\$12,000					\$92,000	Finish refurbishment of chlorine feed system
2		Add SCADA to ammonia, sodium chlorite, chlorine dioxide, and chlorine feed	\$140,000	\$21,000	\$25,000	\$12,000			\$198,000	Finish chemical feed SCADA installation
3		Install dechloramination facilities for backwash and filter-to-waste wastewaters to Ohio River (preliminary design)			\$110,000				\$110,000	No Action - Action to occur when required by NPDES
4		Install residuals collection and pumping facility for filter backwash waste & sedimentation processes to WWTP (preliminary design)			\$110,000				\$110,000	No Action - Action to occur when required by NPDES
5		Recondition North Plant flocculation tanks (baffles, mixers & sluice gates) and primary sedimentation basin sludge scrapers	\$1,100,000	\$170,000	\$120,000	\$130,000			\$1,520,000	Update North Plant flocculation and primary sedimentation
6		Replace 4160-volt motor starters on LS Pumps #1-#6. Replace magnetic drive on LS Pump #1 with a VFD and add a control unit.	\$650,000	\$98,000	\$75,000	\$75,000			\$898,000	Update low service pumping electrical
7		Replace 4160-volt motor starters on HS Pumps #8-#10. Replace magnetic drive on HS Pump #9 with a VFD and add a control unit.	\$440,000	\$66,000	\$50,000	\$50,000			\$606,000	Update high service pumping electrical
8		Perform flow pattern analysis for the entire plant for North/South clearwell interconnect			\$50,000				\$50,000	Determine where water is going between N. & S. Plants
9		Add 3rd set of South Plant Primary and Secondary Basins	\$4,400,000	\$660,000	\$500,000	\$500,000			\$6,060,000	Increase flow capacity of South Plant & assist with flow balancing between N. & S. Plants
10		Add Filters 35 and 36 (6 MGD conventional media filters)	\$2,600,000	\$390,000	\$300,000	\$300,000			\$3,590,000	Increase firm filtration capacity to 60 MGD
11		Add two backwash water flow meters	\$50,000	\$8,000	\$10,000	\$10,000			\$68,000	Increase reliability of filter backwash flow metering
12		Renovate Traveling Screen #2	\$80,000	\$12,000	\$15,000	\$5,000			\$112,000	Update raw water screening
13		Individual filter effluent flow meters filters 13-20	\$60,000	\$9,000	\$15,000				\$84,000	Increase reliability of filter effluent flow metering
14		Conduct inventory and replace 220-volt and 480-volt (as needed) circuit breakers throughout the plant.	\$180,000	\$27,000	\$20,000	\$25,000			\$252,000	Increase reliability of electrical service
15		In-depth plant life span/alternate plant feasibility study (collector wells, new surface water plant, etc.)			\$300,000				\$300,000	Determine options for replacing or refurbishing existing plant
16		Re-route South Plant filtered water main to 1.5 MG clearwell	\$200,000	\$30,000		\$50,000			\$280,000	Ensure flow path of S. Plant finished water
17		Complete Phase III of lead paint abatement program in Filter Building	\$200,000	\$29,000	\$7,000	\$25,000			\$281,000	Re-coat lead based painted walls
18		Paint low service building on the interior and exterior	\$90,000	\$12,000	\$12,000	\$10,000			\$114,000	Update coating of low service building
19		Evaluate chlorite/chlorate formation in seed basins due to chlorine dioxide (ClO <sub>2</sub> ) feed in the raw water (during summer)			\$75,000				\$75,000	Determine whether or not chlorite formation is an issue with raw water ClO <sub>2</sub> feed
20		Evaluate alternative inactivation technologies (UV, Ozone, & membranes) for Crypto inactivation/removal if needed to meet LT2 requirements			\$200,000				\$200,000	Needed if Crypto conc. is greater than 0.075 oocysts/L (Bin 1 limit)
Water Treatment Plant Improvements										
Water Treatment Plant Total									\$15,000,000	

Prepared by  
HNTB Corporation  
February 19, 2007

**2007-2009 Ranked Capital Improvements Projects  
Water Treatment Plant and Distribution System  
Evansville, IN**

Project Priority Ranking	Project Description	Project Costs						TOTAL	Remarks
		Construction	Contingency	Planning	Design	Construction Administration	Property / Equipment Acquisition		
Distribution System Improvements									
1	Veterans Memorial water main replacement (1,100' of 48")	\$1,670,000.0	\$228,000			\$150,000	\$50,000	\$2,098,000	No Action
2	Replace #2 booster pump at Killian Station w/VFD	\$55,000.0	\$8,000		\$13,000			\$76,000	New Project
3	Vanness Phase IIIA-logue/Rosenburg 300' of 12" change services	\$90,000.0	\$14,000					\$104,000	No Action
4	Oak Hill Road 8,000' of 8"	\$530,000.0	\$80,000					\$610,000	No Action
5	Emergency Generator for Operations Building - Phones, Computer Servers and MP-2, Lights, Heating and A/C	\$65,000.0	\$10,000					\$75,000	New Project
6	Stringtown Louisiana to Morgan (1300' of 16")	\$174,000.0	\$26,000		\$30,000	\$10,000		\$240,000	New Project
7	Water main improvements associated w/ INDOT road proj.	\$2,180,000.0	\$327,000		\$250,000	\$150,000	\$100,000	\$3,007,000	Utility current avgs. approx 1M/yr
8	Meter Reading Equipment						\$100,000	\$100,000	New initiatives
9	Industrial Meter Replacement						\$200,000	\$200,000	New initiatives
10	New elevated storage tank in Killian Pressure Zone	\$1,850,000.0	\$280,000	\$20,000	\$80,000	\$280,000	\$50,000	\$2,560,000	Additional storage
11	Old State Rd. West of Hwy 41 (Tie-in to 30" main) (400' of 8")	\$55,000.0	\$8,000					\$63,000	New Project
12	Schaller Ln. (1,200' of 8")	\$55,000.0	\$8,000					\$63,000	New Project
13	Altitude valve and piping modifications at Lincoln Tank.	\$55,000.0	\$8,000		\$13,000			\$76,000	New Project
14	7 <sup>th</sup> Avenue from Shanklin St to Florida St 1,240' of 8"	\$98,000.0	\$15,000					\$113,000	No Action
15	Shanklin St from 7 <sup>th</sup> Ave. to Fulton Ave 1,180' of 8"	\$82,000.0	\$12,000					\$94,000	No Action
16	Morgan Avenue (Hwy 41 to Fares) 2,300' of 12"	\$196,000.0	\$29,000		\$35,000	\$10,000		\$270,000	No Action
17	Add VFD for #1 booster pump at Campground Booster	\$22,000.0	\$3,000		\$8,000			\$33,000	New Project
18	12" main on Mohr Rd - from existing water main to St Joe Ave (1,700')	\$280,000.0	\$39,000		\$40,000	\$20,000		\$359,000	No Action
19	St. George Rd. from Ward Rd to Oak Hill Rd 2,670' of 8"	\$185,000.0	\$28,000					\$213,000	No Action
20	Hydrant Replacement Program	\$48,000.0	\$7,000					\$55,000	No Action
21	Valve Replacement/Installation Program	\$90,000.0	\$14,000					\$104,000	No Action
22	Replace Main on Heffrich From Broadway to Saunders (1,100 of 8")	\$85,000.0	\$10,000					\$75,000	New Project
23	500 block of Boehne Ave., Replace old 2" main and service change-overs (600' of 8" and 1,400' of 8" on Claremont)	\$44,000.0	\$7,000					\$51,000	New Project
24	Ruston Lane and Hwy 57, Tie-in Main on Ruston to Main on Hwy 57 (150' of 12")	\$8,000.0	\$2,000					\$10,000	New Project
25	Replace Main On Frey Road North of Broadway (2080' of 8")	\$130,000.0	\$20,000					\$150,000	New Project
26	Covert Avenue (Shoshone, Pollack & Fuquay) 8,100' of 12"	\$305,000.0	\$46,000		\$45,000	\$25,000		\$421,000	No Action
27	Extend Main to serve the 1800 and 1900 Blk's of S Werner	\$44,000.0	\$7,000					\$51,000	New Project
28	Extend Main to serve Saunders Ave East of Werner and the 1800 Blk of S Craig	\$25,000.0	\$4,000					\$29,000	New Project
		Distribution System Total						\$11,300,000	